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SUBJECT: BOEING INKS DEFINITIVE AGREEMENT WITH VIETNAM AIRLINES AND
NEWLY FORMED VIETNAM AIRLINES LEASING COMPANY FOR THE PURCHASE OF 12
787 DREAMLINERS

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¶11. (SBU) Summary: In a ceremony and press event on November 16 in Hanoi, the Boeing Company signed a definitive agreement for the purchase of 12 787 Dreamliners with Vietnam Airlines (VNA) and the newly formed Vietnam Airlines Leasing Company (VALC). Prior to the evening signing ceremony, Boeing CEO and President of Commercial Airlines, Scott Carson, paid a courtesy call on Prime Minister Nguyen Tan Dzung to congratulate the country on the \$1.88 billion purchase and encourage the continued development of the aviation sector. Minister of Planning and Investment Vo Hong Phuc, speaking during the ceremony at the behest of Prime Minister Dung, called the sale of the 12 Dreamliners - four of which were purchased by VNA and eight by VALC - symbolic of the improving commercial and bilateral relationship between the United States and Vietnam. Vietnam Airlines previously purchased four Dreamliners in 2005. First delivery on that purchase is set for 2009. End Summary.

VALC - A Catalyst for Fleet Expansion at VNA

¶12. (SBU) Vietnam staged an impressive show on November 16 to commemorate the purchase of 12 Boeing 787 aircraft. After a commercial and cultural warm up, which featured a multi-media expose of Vietnam Airline's development as a regional carrier and three divo tenors bellowing the Vietnamese version of Con Solo Mio, the first order of business for the signing ceremony was the issuance by Hanoi People's Committee Chairman Nguyen The Thao of a business license to VALC, a new-joint stock company formed by state-owned enterprise (SOE) giants Vietnam Airlines, Vinashin Business Group, the Vietnam Oil and Gas Group, the Bank of Investment and Development of Vietnam and the Phong Phu Corporation. According to VNA, which maintains a 23 percent majority stake in the venture, VALC was created in recognition of the fact that the airline must more than double its fleet by 2020 if it is to assume its place as a recognized regional carrier and assist the Vietnamese economy maintain average annual growth above seven percent. The airline currently owns 46 aircraft, but plans to operate 86 by 2015 and 110 by 2020, several of which it intends to lease from VALC. In addition to buying and leasing aircraft, VALC plans to offer on-demand air transport, terminal operation, and aircraft maintenance and insurance services.

¶13. (SBU) Following remarks from VNA Chairman Nguyen Sy Hung and Boeing CEO and President for Commercial Airplanes, Scott E. Carson,

Boeing Company signed a definitive agreement with Vietnam Airlines for the delivery of four 787 Dreamliner aircraft starting in 2015, the list value of which is \$627 million. Moments later, the Chicago-based company inked a larger deal, worth \$1.25 billion with the newly established VALC for eight aircraft with delivery positions starting in 2016, after which VNA and VALC immediately signed their own Memorandum Of Understanding (MOU) for the leasing of the eight aircraft to VNA. In speaking of the significance of the deals, Chairman Hung expressed VNA's expectation that the fleet expansion will clear the way to begin direct flights to the U.S. in 2008 and expand service to Europe, and hinted at an internal VNA target of operating 28 787 Dreamliners by 2020. The airline currently has four 787 Dreamliners on order with Boeing for delivery starting in 2009.

The Politics of Aviation in Vietnam

4. (SBU) The deal signing was the result of a one-and-a-half year sales negotiation, which had heavy personal involvement by Prime Minister Nguyen Tan Dung. Prior to the actual ceremony, Dung met with Carson and his management team in a closed-door session, during which, according to Boeing, the Prime Minister expressed his expectation that VNA, which is one of 12 large SOE's managed directly by the Prime Minister's office, would acquire direct flight routes to the United States by the end of 2008. He underscored to Carson that he and the GVN view continued development of the local aviation industry as central to Vietnam's continued economic growth and that he looked forward to Boeing's participation in that development on several fronts.

¶5. (SBU) Speaking at the behest of the Prime Minister to the signing ceremony's 150 invited guests, Minister of Planning and Investment Phuc acknowledged aviation's key role in the Vietnamese economy and underscored its importance in the political relationship with key trading partners like the U.S. He echoed a familiar Government of Vietnam (GVN) refrain that there is "room enough" for all major trading partners to take part in the development of Vietnam's major

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infrastructure sectors, alluding to the signing of an MOU between VNA and Boeing rival Airbus in September 2007 for the purchase of 10 A-350s and 20 narrow-body A-321s. In the end, he pointed to the Boeing deal as symbolic of the ever-improving bilateral relationship between the United States and Vietnam and as a significant step toward easing the \$8.5 billion trade imbalance between our countries.

¶6. (SBU) From the outset of its engagement with VNA and the GVN, Boeing encountered intense competition from European rival Airbus (whose representative attended the signing ceremony). Throughout, Boeing sought and received robust advocacy support from the highest levels of the U.S. Mission to Vietnam, the Department of Commerce, the Department of State and other senior-level inter-agency Trade Promotion Coordinating Council officers. In discussions with Dung during his Business Development Trade Mission to Vietnam from November 4 - 8, 2007, Secretary of Commerce Carlos Gutierrez strongly advocated for quick completion of the deal. True to Dung's word that a definitive agreement would be soon be finalized, VNA and VALC completed the deals by Dung's November 16 deadline. At an informal gathering after the signing, CEO Carson; Stanley Deal, Boeing Vice President of Sales for Asia Pacific; and other Boeing executives thanked Mission Vietnam for the Embassy's and USG's assertive and on-going engagement, noting that USG advocacy was a key factor in bringing the agreement to fruition.

¶7. (SBU) Speaking on behalf of the Embassy and the United States Government at the signing ceremony, the DCM highlighted the 500 percent growth in two-way trade between the U.S. and Vietnam since the signing of the Bilateral Trade Agreement in 2001. He congratulated Vietnam on its impressive economic development, underscored U.S. Government support to Vietnam as it continues to transform its economy, and expressed trust that completion of the Boeing/VNA contract would be a harbinger for completion of other pending U.S.- Vietnamese infrastructure agreements to be finalized in the near future.

